

## Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 RSC-01 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 SAJ-01 L-03 H-03 PRS-01 PA-04 USIA-15 AGR-20

FEAE-00 EURE-00 DRC-01 /201 W  
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P R 141533Z AUG 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 6438

INFO TREASURY DEPARTMENT WASHDC PRIORITY

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

USMISSION NATO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

UNCLAS ROME 11174

E.O. 11652 N/A

TAGS: EFIN, IT

SUBJ: TAX PACKAGE RATIFIED BY PARLIAMENT

REF: (A) ROME 10622

(B) ROME 9407

1. /SUMMARY/. BOTH HOUSES OF ITALIAN PARLIAMENT COMPLETED  
ACTION ON RATIFICATION OF TAX PACKAGE ON AUGUST 13.

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NUMEROUS AMENDMENTS WERE MADE DURING RATIFICATION PROCESS

MAINLY AIMED AT LESSENING TAX BURDEN OF LOWER INCOME GROUPS AT EXPENSE OF CORPORATIONS AND HIGHER INCOME GROUPS. AS NEARLY AS WE CAN TELL, EFFECT OF AMENDMENTS, SOME OF WHICH WOULD INCREASE TAX REVENUE AND SOME REDUCE IT, SHOULD NOT SIGNIFICANTLY CHANGE PROJECTED 3,000 BILLION LIRE REVENUE GOAL (INCLUDING REVENUE FROM INCREASED PUBLIC UTILITY RATES).

2. TEXT OF TAX DECREES AS FINALLY RATIFIED WILL NOT BE AVAILABLE FOR SOME TIME. THEREFORE, FOLLOWING INFORMATION IS ONLY BASED ON PRESS REPORTS AND COULD CONTAIN SOME ERRORS.

3. MAJOR AMENDMENTS IN TAX DECREE LAWS WHICH WOULD TEND TO INCREASE REVENUE WERE: (1) DIRECT TAXES: (A) INTRODUCTION OF ONE-TIME FIVE PERCENT SURCHARGE ON PERSONAL INCOME FROM 10 TO 14 MILLION LIRE AND 10 PERCENT ABOVE 14 MILLION LIRE; AND (B) INCREASE IN CORPORATE INCOME TAX RATE TO 35 PERCENT (RATHER THAN 30 PERCENT) FROM PRESENT 25 PERCENT. HIGHER RATE WOULD APPLY FOR TWO-YEAR PERIOD JANUARY 1974 THROUGH DECEMBER 1975. (2) INDIRECT TAXES: (A) DEFERRED PAYMENT PERIOD ALLOWED TO PETROLEUM COMPANIES FOR REMITTING MANUFACTURING TAX ON PETROLEUM PRODUCTS WOULD BE ELIMINATED AS REGARDS NEW INCREASED TAX RATE AND INTEREST RATE PAYABLE ON TAXES AT OLD TAX RATES DEFERRED BEYOND APRIL 1974 WILL NOW BE INCREASED FROM 4-3/4 PERCENT TO 14 PERCENT, AND (B) LIST OF LUXURY GOODS SUBJECT TO NEW IVA (VALUE ADDED TAX) RATE WOULD BE EXPANDED TO INCLUDE CERTAIN HARD LIQUORS, TABLE CRYSTAL, ETC. INCLUDED IN FORMER CATEGORY WILL BE GIN, WHISKEY AND AQUAVIT. (CERTAIN WINE-BASED AND FRUIT-BASED LIQUORS SUCH AS BRANDY AND GRAPPA WOULD NOT BE INCLUDED).

3. AMENDMENTS WHICH WOULD HAVE EFFECT OF REDUCING REVENUE ARE: (1) DIRECT TAXES: (A) LEVEL OF TAX EXEMPTION FOR WAGE AND SALARY INCOME WOULD BE INCREASED BY 36 THOUSAND LIRE PER PERSON PLUS 4 THOUSAND LIRE PER DEPENDENT CHILD FOR TAXPAYERS HAVING AN INCOME OF 5 MILLION LIRE (RATHER THAN 4 MILLION LIRE), AND (B) AUTHORITY FOR HIRING NEW TAX COLLECTION EMPLOYEES FOR MINISTRY OF FINANCE WOULD BE REQUESTED UNDER ORDINARY DRAFT LAW TO BE PRESENTED IN SEPTEMBER (RATHER THAN THROUGH DECREE LAW PROCESS). (2) INDIRECT TAXES: (A) TAX RATE FOR ONE-TIME TAX ON AUTOMOBILES, MOTORCYCLES, MOTORBOATS AND PRIVATE PLANES WOULD BE REDUCED BY ONE-HALF FOR AUTHOMOBILES WHICH ARE TEN UNCLASSIFIED

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YEARS OLD OR MORE. AUTOS WITH LESS THAN TEN FISCAL HORSEPOWER WOULD BE EXEMPTED FROM NEW TAX. DUE DATE FOR PAYMENT OF TAX IS CHANGED FROM AUGUST 6 TO SEPTEMBER 30, 1974; (B) EXEMPTION FROM IVA FOR PROFESSIONALS WITH INCOME OF LESS THAN 2 MILLION LIRE WOULD BE RE-INTRODUCED, WITH SUCH PROFESSIONALS INSTEAD TO PAY FLAT ANNUAL TAX OF 50 THOUSAND LIRE; (C) REDUCED IVA RATES OF 1 PERCENT AND 3 PERCENT ON LIMITED NUMBER OF FOOD ITEMS WHICH WERE TO EXPIRE AT END-1974 WILL BE EXTENDED TO END-1975;

(D) ONE-TIME TAX ON REAL ESTATE WILL BE RE-INTRODUCED AS ORDINARY DRAFT LAW SO THAT TAX WILL/BE PAYABLE IN 1975 RATHER THAN IN 1974; (E) INCREASE IN IVA RATE FROM 6 TO 18 PERCENT ON BEEF AND VEAL WOULD NOT APPLY TO LIVE ANIMALS NOR TO BEEF AND VEAL LIVER, HEART, BRAIN AND TRIPE; AND (F) INCREASE IN IVA RATE ON CONSTRUCTION MATERIALS FROM 3 TO 6 PERCENT WOULD ONLY APPLY TO MATERIALS FOR PRIVATE HOUSING.VOLPE

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## Message Attributes

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**Disposition Event:**  
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